

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



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Application of Southern California Gas Company  
(U904 G) and San Diego Gas & Electric Company  
(U902 G) for Authority to Revise their Natural Gas  
Rates Effective January 1, 2017 in this Triennial  
Cost Allocation Proceeding Phase 2

A.15-07-014  
(Filed July 8, 2015)

**SOUTHERN CALIFORNIA GENERATION COALITION  
RESPONSE TO MOTION OF  
SOUTHERN CALIFORNIA GAS COMPANY AND  
SAN DIEGO GAS & ELECTRIC COMPANY  
TO STRIKE PORTIONS OF  
SOUTHERN CALIFORNIA GENERATION COALITION REPLY BRIEF**

Norman A. Pedersen, Esq.  
HANNA AND MORTON LLP  
444 South Flower Street, Suite 2530  
Los Angeles, California 90071-2916  
Telephone: (213) 430-2510  
Facsimile: (213) 623-3379  
E-mail: [npedersen@hanmor.com](mailto:npedersen@hanmor.com)

Attorneys for the **SOUTHERN CALIFORNIA  
GENERATION COALITION**

Dated: August 8, 2016

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In accordance with Rule 11.1(e) of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Southern California Generation Coalition (“SCGC”) responds to the Southern California Gas Company (“SoCalGas”) and San Diego Gas & Electric Company (“SDG&E”) July 29, 2016 motion to strike portions of SCGC’s July 27, 2016 reply brief in this proceeding. The motion to strike should be denied, and the portion of SCGC’s reply brief which SoCalGas and SDG&E propose to strike should remain to clarify the amounts that qualify for recordation in the account (“Aliso Canyon Revenues Memorandum Account” or “ACRMA”) that SoCalGas was required to establish in D.16-03-039.

**I. BACKGROUND.**

In its March 17, 2016 Decision (“D.”) 16-03-031, Ordering Paragraph 1, the Commission required that SoCalGas submit a tier 2 advice letter to establish a memorandum account that would be effective immediately to track SoCalGas’ authorized revenue requirement and all revenues that SoCalGas receives for its “normal business-as-usual costs” to own and operate the Aliso Canyon storage

field.<sup>1</sup> Furthermore, in D.16-03-031, that the Commission said that it may determine in the captioned proceeding, Application (“A.”) 15-07-014, the extent to which the authorized revenue requirement and revenues tracked in the ACRMA should be refunded to SoCalGas customers.<sup>2</sup> SCGC strongly supports the Commission’s decision to require SoCalGas to establish the ACRMA so that the authorized revenues requirement and revenues tracked in the memorandum account can be refunded to SoCalGas customers, including the SCGC members.

SCGC became concerned that comments in the opening briefs might lead to some confusion about whether amounts recouped in the account should be limited to the authorized Aliso Canyon revenue requirement and actually received revenues associated with that revenue requirement. In its opening brief, one party recommended that the Commission defer any action on refunding until it has

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<sup>1</sup> D.16-03-031, p. 8 (Ordering Paragraph 1) (March 17, 2016):

1. Within five business days from the effective date of this order, stated below, Southern California Gas Company (“SoCalGas”) shall submit to the Commission’s Energy Division a Tier 2 advice letter to establish a memorandum account, effective immediately, to track SoCalGas’s authorized revenue requirement and all revenues that SoCalGas receives for its normal, business-as-usual costs to own and operate the Aliso Canyon gas storage field. Such costs include depreciation, rate-of-return, taxes, operations and maintenance, administrative and general, and all other direct and indirect costs that SoCalGas incurs to own and operate Aliso Canyon in the normal course of business. Such costs exclude expenses associated with the recent gas leak at Aliso Canyon.

<sup>2</sup> *Ibid*, p. 9, (Ordering Paragraph 4):

4. In Application (A.) 15-07-014, the Commission may determine the procedure and timeframe for determining whether, and to what extent, the authorized revenue requirement and revenues tracked by the memorandum account established pursuant to Ordering Paragraph 1 should be refunded to Southern California Gas Company’s customers. The parties in A.15-07-014 may recommend an appropriate procedure and timeframe in their briefs filed in A.15-07-014 on June 10, 2016, or at such other time as directed by the assigned Commissioner and/or the assigned Administrative Law Judge for A.15-07-014.

further information “regarding the total *costs* ultimately recorded in that account as well as the full range at Aliso Canyon-related *costs* for which rate recovery may be sought.”<sup>3</sup> Furthermore, the party said that there should be a deferral until “all interested parties have a fuller sense of the total *costs* at issue for ratemaking (both “business-as-usual” and any post-leak *costs* the utility may try to recover in rates). . . .”<sup>4</sup>

Given its strong support for D.16-03-031, SCGC became concerned that despite the apparent clarity of D.16-03-031 about what is to be recorded in the ACRMA, the opening brief discussion about deferring refunds of amounts recorded into the account until all “costs” including “total costs” and any “post-leak cost” might muddle what is to be recorded in the ACRMA. Accordingly, SCGC submitted its reply brief supporting deferral of a decision about appropriate refunds from the ACRMA but also clarifying that the only amounts that may be recorded in the account are the authorized Aliso Canyon revenue requirement and the actual revenues received as a result of that revenue requirement being included in SoCalGas transportation rates.<sup>5</sup>

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<sup>3</sup> The Utility Reform Network (“TURN”) Opening Brief, p. 42 (June 10, 2016) (emphasis added)..

<sup>4</sup> *Ibid* (emphasis added)..

<sup>5</sup> TURN also clarified in its reply brief that by using the term “costs” it intended to refer to “normal, previously approved costs to own and operate Aliso Canyon,” not total cost that might go beyond the costs recovered through the authorized revenue requirement associated with Aliso Canyon. TURN Reply Brief, p. 20 (footnote 56) (July 27, 2016):

TURN’s opening brief used the term “costs” several times in its discussion of the Aliso Canyon-related issues identified in D.16-03-031. Subsequent to filing and serving the brief, it was brought to attention that this might be interpreted by some as suggesting TURN supported inclusion of “recorded cost” figures in the memorandum account. TURN wishes to clarify that the use of the term “costs” in TURN’s opening brief was not intended to suggest recorded costs in any way, but rather the “normal, previously approved costs to own and operate Aliso Canyon” (the phrase used repeatedly in D.16-03-031, as well as in the settlement motion and footnote 4 of the settlement itself that is pending in this proceeding) that the Commission has identified as eligible to be recorded in this memorandum account.

## **II. THE SOCALGAS AND SDG&E MOTION TO STRIKE SHOULD BE REJECTED.**

The SoCalGas and SDG&E motion to strike should be rejected. At the end of the hearing in this proceeding which addressed, primarily, core rate issues, Administrative Law Judge (“ALJ”) Kenney gave parties the opportunity to address the subject matter of D.16-03-031: “The briefs may address the matters identified in Decision 16-03-031.”<sup>6</sup> The timeframe for determining whether and to what extent the authorized revenue requirement and revenues recorded in the Aliso Canyon revenues account established by D.16-03-031 should be refunded to SoCalGas ratepayers was, therefore, an appropriate issue to discuss in briefs, but it would be nearly impossible to discuss the procedure and timeframe for determining refunds without also identifying what would be recorded in the ACRMA that would be refunded. Given the confusion in the opening briefs, SCGC endeavored in its reply brief to clarify precisely what would be recovered in the account.

Striking the portion of SCGC’s brief that provides clarity about the amounts to be recorded in the ACRMA would be just as inappropriate as it would be to strike the footnote in TURN’s reply brief in which TURN clarified that what it meant in its opening brief when it referred to “costs” were the “normal, previously approved costs to own and operate Aliso Canyon” which would be recovered from customers through the portion of revenue requirement associated with Aliso Canyon that would be embedded in transportation rates.<sup>7</sup> Neither should be stricken.

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<sup>6</sup> Transcript, p. 261 (ALJ Kenney).

<sup>7</sup> TURN Reply Brief, p. 20 (footnote 56).

### **III. CONCLUSION.**

For the reasons set forth above, SCGC's discussion in its reply brief about amounts to be recorded in the ACRMA clarified what should be recorded in the account and, accordingly, should not be stricken.

Respectfully submitted,

*/s/ Norman A. Pedersen*

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Norman A. Pedersen, Esq.  
HANNA AND MORTON LLP  
444 South Flower Street, Suite 2530  
Los Angeles, California 90071-2916

Attorneys for the **SOUTHERN CALIFORNIA  
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